

PUBLIC DISCLOSURE

MAY 24, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

AVON CO-OPERATIVE BANK

1 EAST MAIN STREET
AVON, MASSACHUSETTS 02322

DIVISION OF BANKS
100 CAMBRIDGE STREET
BOSTON, MA 02202

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Avon Co-operative Bank prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community in a manner consistent with its resources and capabilities. The bank has shown a willingness to incorporate the regulations concerning CRA in its lending activity and services.

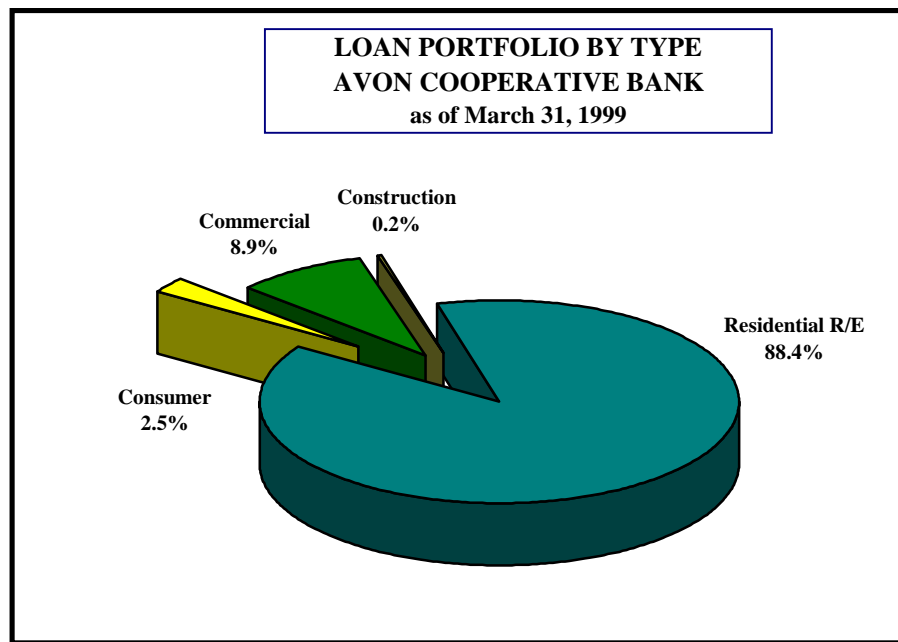
The bank was rated satisfactory in all sections of the performance context including Fair Lending.

PERFORMANCE CONTEXT

Description of Institution

Avon Co-operative Bank is a \$40,605,000 mutually owned, state chartered institution with its only office headquartered in Avon, Massachusetts. The bank is primarily a real estate lender with 88.4% of its loan portfolio consisting of residential real estate loans. The remaining loan portfolio consists of commercial loans at 8.9%, consumer loans at 2.5%, and construction loans at 0.2%.

Refer to the following graph for additional information.



The bank maintains an Automated Teller Machine (ATM) at its main office in Avon which is connected to the Money Access Service (MAC) network with additional access to NYCE and Cirrus. Banking hours are considered accessible to the bank's customers and comparable to similar institutions.

Other than the bank's relatively small asset size and limited staff, there appears to be no significant financial or legal impediments which would limit the bank's ability to help meet the various credit needs of its assessment area.

Avon Co-operative Bank operates in a very competitive market. Local competitors include but are not limited to BankBoston and US Trust, as well as representatives of regional and national mortgage companies.

The examiner used PCI Services, Inc., CRA Wiz, to generate aggregate HMDA reports when comparing Avon Co-operative Bank to other HMDA lenders throughout its assessment area.

The bank was last examined for compliance with the Community Reinvestment Act by the Federal Deposit Insurance Corporation (FDIC) on May 12, 1998, and was found to have a Satisfactory rating. The Massachusetts Division of Banks last examined the bank on July 7, 1997. That examination also resulted in a Satisfactory rating.

Description of Assessment Area

Avon Co-operative Bank's assessment area is comprised of the towns of Avon, Brockton, Randolph, and Holbrook. The assessment area is located within two Metropolitan Statistical Areas (MSAs): the Boston MSA and the Brockton MSA. The towns included in the Boston MSA are Holbrook and Randolph. The town and city included in the Brockton MSA are Avon and Brockton.

Avon is a small suburban community located along Route 24, approximately twenty miles south of Boston. The Town of Avon was incorporated on February 21, 1888. The combination of highway access, economic growth, and development in the community has enabled the town to develop as a major employment center in the South Shore area. The Avon Industrial Park, which has developed over the past 10 years, contains 127 firms who employ over 3,600 individuals in a variety of occupations. A recent expansion of the industrial park has made more sites available for development. There are limited opportunities for new housing development in the community due to the town policy of preserving the suburban character of the community. Avon has a strategic location. While the town has preserved its suburban character, it is part of a metropolitan community in terms of accessibility to health care, cultural, educational and recreational resources.

The bank's assessment area includes 28 census tracts. Of this number 2 census tracts or 7.1% are designated as low-income; 7 census tracts or 25.0% are designated as moderate-income; 18 census tracts or 64.3% are designated as middle-income; and 1 census tract or 3.6% is designated as upper-income.

According to 1990 US Census Data, Avon Co-operative Bank's assessment area has a combined population of 138,480 and a total of 52,339 housing units. Additional information from 1990 census data revealed that 29,422 or 56.2 percent of the housing units within the assessment area are owner occupied; 21,596 or 41.3 percent are rental units; and 3,074 or 5.9 percent are vacant housing units. In addition, 5,600 or 11.4 percent of the total number of households in the assessment area are living below the poverty level.

The bank's assessment area is composed primarily of 1-4 family units, which represent 40,350 units or 77.1% of the housing stock. The median year built for housing stock within the assessment area is 1955.

According to CRA WIZ demographic data for 1990 for the bank's assessment area, the median home value is \$137,050 and the median family income is \$45,323.

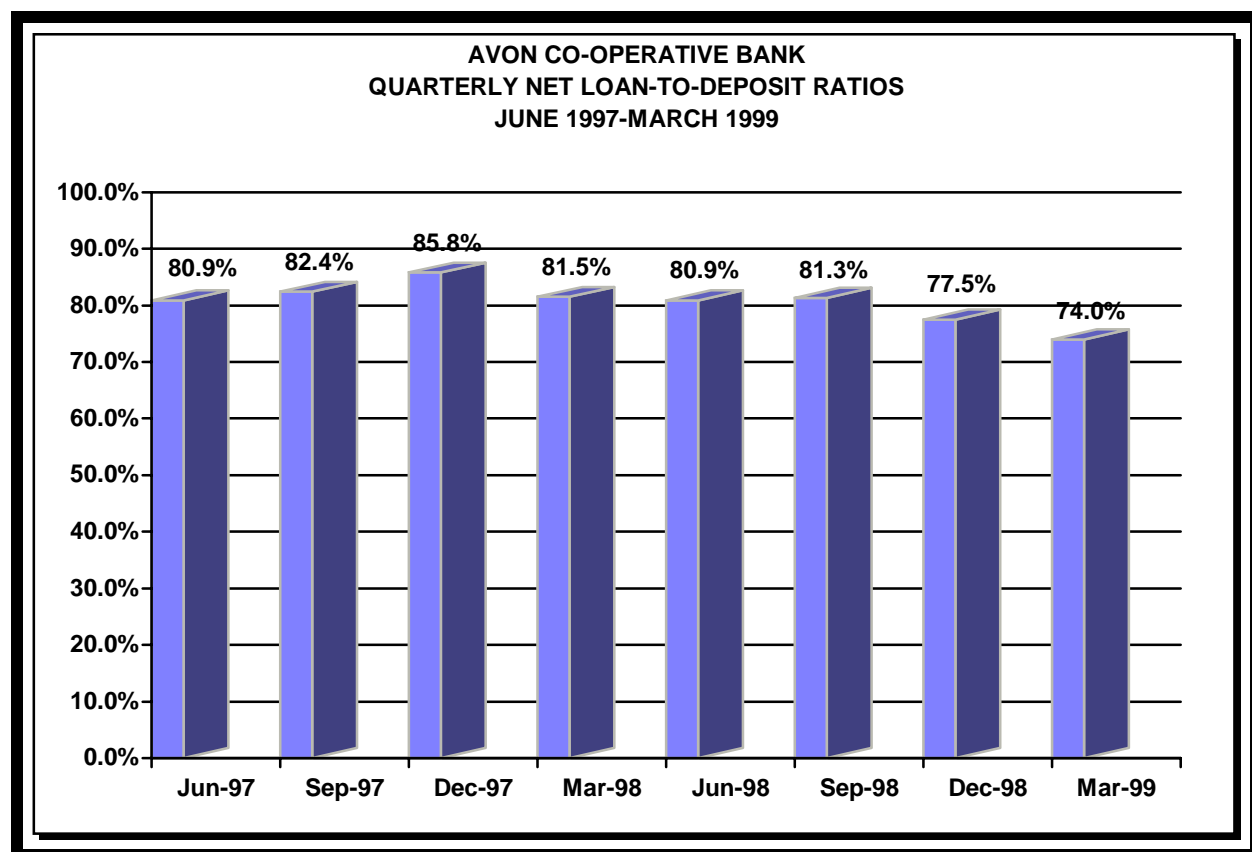
PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

An analysis of Avon Co-operative Bank's net loan-to-deposit ratio was performed during the examination. The calculation incorporated eight quarters of the bank's net loan to total deposit figures utilizing the FDIC quarterly call reports. This review included the quarters ending June 30, 1997 through March 31, 1999.

The institution's average net loan-to-deposit ratio during this period was determined to be 80.5%. The average net loan-to-deposit ratio is favorable given the bank's asset size, sole location and the competitive environment in which it operates.

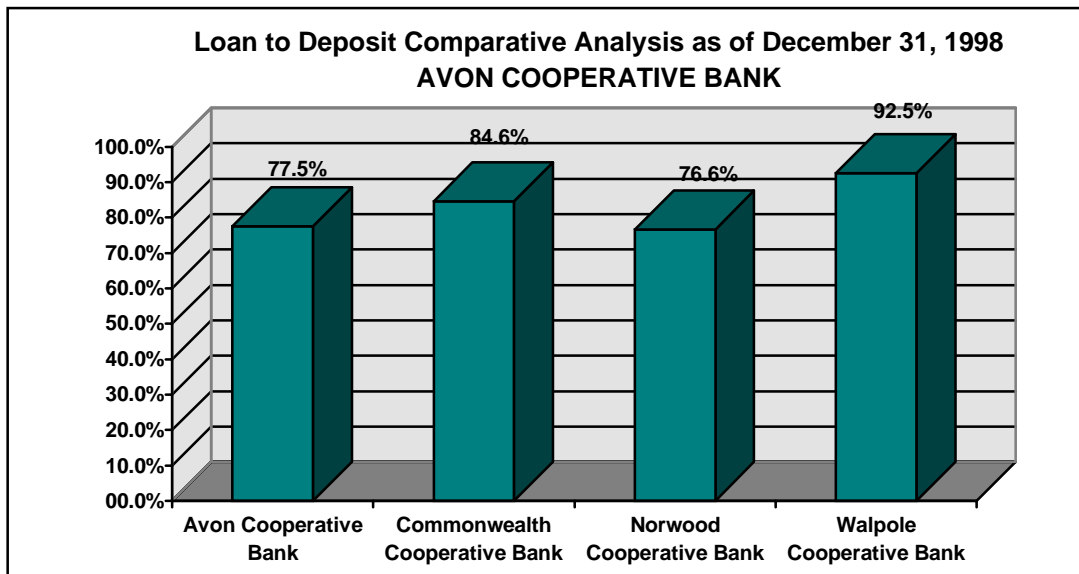
The following graph illustrates the loan to deposit trends.



Source: Quarterly FDIC Call Report Schedule RC-Balance Sheet

For most of the current exam period, the bank has maintained quarterly net loan-to-deposit ratios above 80.0%. However, in December 1998 and March 1999 the bank experienced a decline in its ratio trend. This apparent decline is attributed to increased competition and a change in market share.

The following graph illustrates the loan-to-deposit ratios for similarly situated institutions within the bank's assessment area as of December 31, 1998.



As of December 31, 1998, Avon Co-operative Bank's loan-to deposit ratio as compared to its peer is reasonable. Based on the above information and Avon Co-operative Bank's capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, the demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, Avon Co-operative Bank's loan-to-deposit ratio meets the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA.

Data regarding the bank's residential mortgage lending activity for 1997, 1998 and year-to-date May 24, 1999 was reviewed to determine the proportion of loans within the assessment area by number of originations and dollar amount. Mortgage lending data was obtained from the bank's Loan Application Register (LAR) filed under the provisions of the Home Mortgage Disclosure Act (HMDA).

The table below includes information which indicates that the bank originated 131 HMDA reportable loans during this period. A total of 89 loans or 67.9% were originated within the bank's assessment area. The Town of Avon and the City of Brockton represented the highest number of residential loan originations with 32 or 24.4% each.

RESIDENTIAL LENDING ACTIVITY INSIDE AND OUTSIDE THE **ASSESSMENT AREA** **BY NUMBER**

	1997		1998		Y-T-D 1999		TOTALS	
LOCATION	#	%	#	%	#	%	#	%
AVON	9	24.4	15	21.7	8	32.0	32	24.4
BROCKTON	5	13.5	22	31.9	5	20.0	32	24.4
HOLBROOK	1	2.7	2	3.0	1	4.0	4	3.1
RANDOLPH	4	10.8	13	18.8	4	16.0	21	16.0
INSIDE ASSESSMENT AREA	19	51.4	52	75.4	18	72.0	89	67.9
OUTSIDE ASSESSMENT AREA	18	48.6	17	24.6	7	28.0	42	32.1
TOTALS	37	100.0	69	100.0	25	100.0	131	100.0

Source: HMDA/LAR Data for Avon Co-operative Bank, 1997, 1998 and Y-T-D May 24, 1999

A review of Avon Co-operative Bank's Loan Application Registers (LARs) for the current examination period by dollar amount was also conducted during the examination. This information indicated that \$12,657,000 was the total dollar amount of HMDA reportable loans originated during this period. A total of \$7,545,000 or 59.6% was the total dollar amount originated within the bank's assessment area. The Town of Avon represented the highest number of residential loan originations by dollar amount with \$3,907,000 or 30.9%. The information included in the table below indicates originations by dollar volume.

**RESIDENTIAL LENDING ACTIVITY INSIDE AND OUTSIDE THE
ASSESSMENT AREA
BY DOLLAR AMOUNT**

	1997		1998		Y-T-D 1999		TOTALS	
LOCATION	\$000s	%	\$000s	%	\$000s	%	\$000s	%
AVON	633	19.4	2,365	34.8	909	35.2	3,907	30.9
BROCKTON	282	8.6	1,015	14.9	250	9.6	1,547	12.2
HOLBROOK	114	3.5	219	3.2	100	3.9	433	3.4
RANDOLPH	296	9.0	999	14.7	363	14.0	1,658	13.1
INSIDE ASSESSMENT AREA	1,325	40.5	4,598	67.6	1622	62.7	7,545	59.6
OUTSIDE ASSESSMENT AREA	1,948	59.5	2,201	32.4	963	37.3	5,112	40.4
TOTALS	3,273	100.0	6,799	100.0	2585	100.0	12,657	100.0

Source: HMDA/LAR Data for Avon Co-operative Bank, 1997, 1998 and Y-T-D May 24, 1999

The tables above demonstrate the bank's willingness to lend within its assessment area. The substantial increase in number of originations between 1997 and 1998 represents a high volume of refinancings due to attractive lending rates. Analysis

revealed that for all HMDA-reporting lenders within the assessment area, the bank was ranked number 65 of 253 lenders.

When taking into consideration the relatively small asset size of the bank and the substantial lending activity by other larger financial institutions within the assessment area, the bank's lending activity is considered reasonable, and meets the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of residential mortgage loans extended within the bank's assessment area, among various income levels was conducted. Originations were categorized by the ratio of the applicant's reported incomes to the 1997, 1998 and 1999 estimated median family incomes of the Boston and Brockton Metropolitan Statistical Areas (MSAs). The median family incomes for the Boston MSA were \$59,600 for 1997, \$60,000 for 1998 and \$62,700 for 1999. The median family incomes for the Brockton MSA were \$53,900 for 1997, \$53,900 for 1998, and \$55,700 for 1999. Income figures were based on estimated 1997, 1998 and 1999 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

The information included in the table below indicates that 39 loans representing 43.8% of the number of originations were granted to upper-income individuals. Also, of the total mortgage loans originated during the exam period, 7 or 7.9% were granted to low-income borrowers and 19 or 21.3% were granted to moderate-income borrowers.

LOAN ORIGINATIONS BY INCOME OF BORROWER
BY NUMBER

% OF MEDIAN MSA INCOME	1997		1998		Y-T-D 1999		TOTALS	
	#	%	#	%	#	%	#	%
<50%	3	15.8	4	7.7	0	0.0	7	7.9
50% - 79%	2	10.5	13	25.0	4	22.2	19	21.3
80% - 119%	5	26.3	15	28.8	4	22.2	24	27.0
120% >	9	47.4	20	38.5	10	55.6	39	43.8
N/A	0	0.0	0	0.0	0	0.0	0	0
TOTALS	19	100.0	52	100.0	18	100.0	89	100.0

Source: HMDA/LAR Data for Avon Co-operative Bank, 1997,1998
and Y-T-D May 24,1999

The same analysis performed by dollar amount indicated that the highest number of originations by dollar amount, 55.1% were granted to upper-income individuals. Also, of the total mortgage loans originated during the exam period, 4.6% was granted to low-income borrowers and 17.8% was granted to moderate-income borrowers. See the following table.

LOAN ORIGINATIONS BY INCOME OF BORROWER
BY DOLLAR AMOUNT

% OF MEDIAN MSA INCOME	1997		1998		Y-T-D 1999		TOTALS	
	\$000s	%	\$000s	%	\$000s	%	\$000s	%
<50%	190	14.3	159	3.5	0	0.0	349	4.6
50% - 79%	165	12.4	774	16.8	402	24.8	1,341	17.8
80% - 119%	370	27.9	1,113	24.2	212	13.1	1,695	22.5
120% >	600	45.4	2,552	55.5	1,008	62.1	4,160	55.1
N/A	0	0.0	0	0.0	0	0.0	0	0.0
TOTALS	1,325	100.0	4,598	100.0	1,622	100.0	7,545	100.0

Source: HMDA/LAR Data for Avon Co-operative Bank, 1997,1998
and Y-T-D May 24,1999.

Aggregate data obtained from the CRA Wiz software was reviewed to compare Avon Co-operative Bank's performance to that of other financial institutions granting loans within the assessment area during 1997. This information indicated that Avon Co-operative Bank's performance was somewhat below the aggregate. All HMDA reporting lenders

within the bank's assessment area granted 39.4 percent of their loans to low and moderate-income individuals compared to the bank's 26.3 percent. However, in reference to the table below, it is also noted that in lending to low-income borrowers, the bank maintained a higher percentage at 15.8 percent as compared to 10.1 percent for all other lenders. It should also be stated that the bank's loan volume in 1997 was quite low. This low level of lending makes a valid dispersion analysis difficult to conduct.

AVON CO-OPERATIVE BANK COMPARED TO ALL OTHER HMDA-REPORTING LENDERS

Family Income Level	Number of Loans				Dollars in Loans (000's)			
	Avon Co-operative Bank		All Other Reporters		Avon Co-operative Bank		All Other Reporters	
Low	3	15.8	403	10.1	190	14.3	22322	6.7
Moderate	2	10.5	1168	29.3	165	12.4	88006	26.6
Middle	5	26.3	1105	27.8	370	27.9	96174	29.0
Upper	9	47.4	651	16.3	600	45.4	61627	18.6
N/A	0	0.0	655	16.5	0	0.0	62833	19.1
Total	19	100%	3982	100%	\$1325	100%	330962	100%

Source: 1997 Aggregate HMDA Data compiled by PCI Services, Inc. CRA Wiz

Overall, the bank has demonstrated a general willingness to lend to individuals of all income categories. While penetration of low and moderate-income individuals is somewhat low, the distribution of credit among different income levels generally meets the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

Lending activity within the census tracts was reviewed in order to determine the extent to which the bank has been able to meet the credit needs of the assessment area.

The information included in the table below indicates that 80 loans representing 89.9 percent of the number of originations were granted in middle-income census tracts. In addition, 9 loans representing 10.1 percent of originations were granted in moderate-income census tracts.

DISTRIBUTION OF HMDA LOANS WITHIN ASSESSMENT AREA BY

INCOME CATEGORY OF CENSUS TRACT BY NUMBER

CENSUS TRACT	1997		1998		Y-T-D 1999		TOTALS	
	#	%	#	%	#	%	#	%
MODERATE	1	5.3	6	11.5	2	11.1	9	10.1
MIDDLE	18	94.7	46	88.5	16	88.9	80	89.9
TOTALS	19	100.0	52	100.0	18	100.0	89	100.0

Source: HMDA/LAR Data for Avon Co-operative Bank, 1997,1998
and Y-T-D May 24,1999

1997 COMPARATIVE ANALYSIS								
CENSUS TRACT INCOME	NUMBER OF LOANS				DOLLAR AMOUNT			
	Avon Co-operative Bank		All Other Lenders		Avon Co-operative Bank		All Other Lenders	
	#	%	#	%	\$ (000)	%	\$ (000)	%
LOW	0	0.0	76	1.9	0	0.0	5,315	1.6
MODERATE	1	5.3	664	16.7	5	0.4	45,115	13.6
MIDDLE	18	94.7	3,159	79.3	1,320	99.6	272,131	82.2
UPPER	0	0.0	83	2.1	0	0.0	8,401	2.6
TOTAL	65	100.0	3,982	100.0	1,325	100.0	330,962	100.0

Source: 1997 HMDA Data

The above tables reflect a reasonable penetration of the bank's assessment area by census tract income. The bank maintains a sole branch in the Town of Avon. The Town of Avon and the surrounding Towns of Holbrook and Randolph, which are in close proximity, are all designated middle-income. The City of Brockton includes the two low-income census tracts as well as the seven moderate-income census tracts where there is substantial competition from other financial institutions. Therefore, it is considered reasonable that the majority of originations are located in census tracts within the three towns where all census tracts are designated as middle-income.

Based on the analysis of the geographic distribution of loans, the lending among various census tracts is reflective of the demographic profile of the bank's assessment area. Therefore, the bank meets the standards for satisfactory performance in generating loans from all segments of its assessment area.

5. REVIEW OF COMPLAINTS/FAIR LENDING

Avon Co-operative Bank has not received any complaints related to its CRA performance since the previous examination. However, the bank has procedures in place should any consumer complaints related to CRA be received.

FAIR LENDING POLICIES AND PRACTICES

Avon Co-operative Bank's formal fair lending policy includes guidelines for non-discriminatory behavior with potential loan applicants. The bank has adequately addressed the guidelines set forth in the Division of Bank's Regulatory Bulletin 2.3-101. The bank meets the standards for satisfactory performance in this category.

STAFF TRAINING

Avon Co-operative Bank's staff training program educates employees on fair lending laws and regulations. Bank management attended seminars that included information on fair lending issues then disseminated the information to their employees in an effort to heighten awareness of action that may be construed as discriminatory. Bank management attends, on a regular basis, regulatory/compliance seminars sponsored by The Massachusetts Bankers Association. These seminars include CRA related topics and updates on compliance and fair lending issues.

STAFF COMPOSITION AND COMPENSATION

Avon Co-operative Bank's current staff consists of five full-time employees and three part-time employees. The composition of employees is considered to be reflective of the bank's single branch location in the Town of Avon.

The President and Treasurer are responsible for all loan originations and are not compensated on a commission basis. Therefore, they are not encouraged to originate large dollar residential loans at the expense of originating smaller loans which may be in a low or moderate-income area or to individuals with incomes designated as low or moderate.

OUTREACH

The bank's board and management are active in the community through membership in various civic groups and community organizations within the Avon Community. The Board's involvement in outreach includes ongoing relationships with the Avon Housing Authority, local real estate agents and all town departments and employees.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

The bank offers a first-time homebuyer loan product with no points, higher qualifying ratios and a 90% loan-to-value ratio. During the current exam period, the bank originated 8 first time homebuyer loans totaling \$981,900.00 under this program.

The bank does not sell loans on the secondary mortgage market, which enables it to be more flexible concerning its underwriting criteria.

MARKETING

The bank utilizes various advertising and promotional activities to inform all segments of the assessment area about products and services offered by the bank. Management advertises in local newspapers available throughout the assessment area. Loan products are advertised in the “The Avon Messenger”, “The Brockton Enterprise” and various other trade magazines.

CREDIT EDUCATION

The bank has participated in the Community Bank League, which has sponsored several consumer credit education seminars. Also, the bank attended several credit education seminars sponsored by NCR Data Systems.

COUNSELING

The bank provides customers who have delinquent mortgage payments with a list of outside credit counseling services. Credit counseling is done by management when it is evident a borrower is having problems. The bank will consider refinancing debt from its loan portfolio or from outside of the bank when it can be done within safe and sound underwriting standards.

SECOND REVIEW PRACTICES

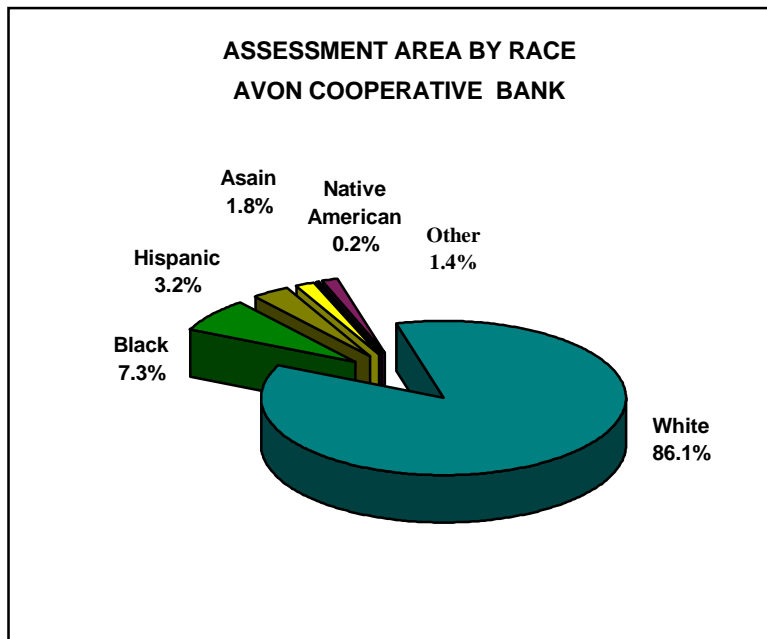
The bank’s Security Committee reviews all denied applications to ensure that underwriting criteria has been properly and fairly applied and that all compensating factors have been taken into account and applied consistently.

INTERNAL CONTROL PROCEDURES

The bank reviews the HMDA/ LAR data on a monthly basis. The bank’s security committee reviews loan files periodically to ensure that the data is being inputted correctly on the Loan Application Register.

MINORITY APPLICATION FLOW

The graph below illustrates the bank’s assessment area minority population.



An analysis of the bank's minority population by race revealed that the ethnic composition within the bank's assessment area totals 13.9%. Further analysis also revealed that there were eight (5.4%) originated minority applications during the exam period. One application or 0.7% was submitted by an applicant of Other Race; two applications or 1.3% were submitted by African-American applicants; and five applications or 3.4% were submitted by Hispanic-American applicants. The bank's minority application flow is relatively low in comparison to its assessment area's population by ethnic distribution. However, given the size of the institution and the volume of applications in 1997, this level is marginally acceptable.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

AVON CO-OPERATIVE BANK

For compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MAY 24, 1999**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.